

Approved For Release 2001/08/28 : CIA-RDP75-00793R000300120004-0



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June 26, 1973

OGC SURD INSURANCE
JSW/RHL

*File
GK #11*

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████████████████████
Associate General Counsel
Government Employees
Health Association
P. O. Box 463
Washington, D. C. 20044

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Dear Mr. ██████████

In keeping with our telephone conversation of this date, I am enclosing a photocopy of a Bulletin setting forth the answers to three questions put to the Cost of Living Council relative to the application of the current freeze to insurance.

As I informed you I am awaiting word from my Home Office as to whether the answer to question "2" permits the contemplated changes in the GEHA life program.

Sincerely,

Horace E. Pascal

Eastern General Counsel

HEP:sls
Encl.

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WIN No. 1238

June 21, 1973

BULLETIN

PRICE FREEZE--INSURANCE CONTROLS: The Cost of Living Council, confirming last week's report here (see WIN No. 1237) that no special exceptions from the price freeze would be made for insurance premiums, has ruled specifically today (21) that premiums may not be increased by the application of experience rating formulas, as was permitted during the 1971 freeze.

This was one of three responses to questions posed regarding the impact of the freeze on insurance rates:

1. Q. If insurance premiums have been determined by the application of experience rating formulas which have not changed during the freeze, are insurance companies permitted to increase those premiums under the current freeze as was allowed under Policy Statement #16 during Phase I?

A. No. Increases in insurance premiums are not permitted under the current freeze by the application of experience rating formulas. Policy Statement #16 does not apply to the current freeze period.

2. Q. May an insurer increase premiums to reflect a change in classification or an increase in coverage during the freeze?

A. Yes, as long as the rates for those classifications and coverages were established during or prior to the freeze base period.

(June 1 to June 8)

3. Q. If an insurance company has traditionally staggered the effective dates of a rate revision for a particular class of purchaser over a 30-day period may that insurer continue to implement the revision begun during the freeze base period?

A. Yes. A rate revision placed into effect before or during the freeze base period for a specific class of purchaser may become effective for all persons insured in that class as their renewal date is reached provided that those rates had been charged to at least 10% of the persons insured in that class whose policies were renewed during the freeze base period.

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